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INFO AMEMBASSY CARACAS PRIORITY
AMCONSUL DHAHRAN
AMEMBASSY DJAKARTA
AMEMBASSY ISLAMABAD
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY NEW DELHI
ALL OECD CAPITALS
USINT ALGIERS
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY d DATE 6/19/81
PORTIONS DENIED AS INDICATED

S E C R E T STATE 007443

EXDIS

OIL SITUATION REPORT NO. TWO FROM STATE DEPT OPERATIONS CENTER.
SITUATION REPORT NO. 2 AS OF 1500 HOURS EST, JANUARY 15, 1971

1. SECRETARY MEETS WITH COMPANY REPRESENTATIVES

AT AN 11:00 AM MEETING WITH THE SECRETARY TODAY, REPRESENTATIVES OF THE MAJOR OIL COMPANIES STRESSED THE URGENCY AND SERIOUSNESS OF THE PRESENT SITUATION, POINTING OUT THAT TWO INDEPENDENT COMPANIES, OCCIDENTAL AND BUNKER HUNT, WILL BE MEETING WITH

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LIBYAN GOVERNMENT REPRESENTATIVES IN 16 HOURS AND THAT THE SHAH HAS DEMANDED A MEETING WITH THE CONSORTIUM BEFORE JANUARY 19.

MR. MCLAREN, ASSISTANT ATTORNEY GENERAL FOR ANTI- TRUST, SAID JUSTICE HAD PROBLEMS APPROVING THE JOINT PRODUCTON SHARING AGREEMENT WHICH THE COMPANIES PRESENTED THIS MORNING, MAINLY BECAUSE OF THE SHORTNESS OF TIME AND THE POSSIBLE NECESSITY OF A COURT ORDER TO MAKE SURE THE AGREEMENT DID NOT CONTRAVENE THE CONSENT DECREE OF 1960. HOWEVER, JUSTICE WOULD GIVE URGENT CONSIDERATION TO THE QUESTION

IT WAS SUGGESTED THAT A HIGH- LEVEL USG REPRESENTATIVE FLY TO TEHRAN, STOPPING IN SAUDI ARABIA AND KUWAIT ON THE WAY. THE SECRETARY TOOK THIS SUGGESTION UNDER ADVISEMENT.

2. INDUSTRY PROPOSAL TO OPEC AND PRODUCTION SHARING AGREEMENT

THE SEVEN MAJOR OIL COMPANIES AND THE FOLLOWING INDEPENDENTS (MARATHON, CONTINENTAL, AMERADA HESS, OCCIDENTAL, BUNKER HUNT AND CFP) SIGNED A JOINT INDUSTRY STATEMENT TO ALL OPEC MEMBER GOVERNMENTS. THE MAJORS AND ALL INDEPENDENTS EXCEPT CFP (BUT INCLUDING GELSENBERG) SIGNED A SECRET PRODUCTION SHARING AGREEMENT ON JANUARY 15, SUBJECT TO APPROVAL BY JUSTICE, IN CASE THE LIBYAN GOVERNMENT DECIDES TO CUT BACK PRODUCTION.

OCCIDENTAL AND BUNKER HUNT WILL MEET WITH LARG REPRESENTATIVES JANUARY 16 AT 2:00 AM WASHINGTON TIME.

3. SHAH REACTS TO FIRST CONSORTIUM/ OPEC TALKS

IN A MEETING WITH AMBASSADOR MACARTHUR ON JANUARY 14 THE SHAH HAD STRONG CRITICISM OF THE CONSORTIUM FOR SENDING REPRESENTATIVES TO TEHRAN ON JANUARY 12 WHO WERE NOT EMPOWERED TO NEGOTIATE ON BEHALF OF THE CONSORTIUM HE SAID THAT OPEC WOULD MEET IN TEHRAN ON JANUARY 19; IF THE CONSORTIUM PRINCIPALS HAD NOT BEGUN NEGOTIATIONS BY THEN, OPEC WOULD TAKE UNILATERAL ACTION, WHICH WOULD INCLUDE SHUTTING DOWN PRODUCTION. THE SHAH SAID THAT WHILE HE COULD ONLY SPEAK FOR IRAN, HE FELT SURE SAUDI ARABIA AND IRAQ FELT THE SAME. THE AMBASSADOR NOTED THE USG WOULD TAKE A SERIOUS VIEW OF ANY ARBITRARY DEADLINES OR PRODUCTON CUTBACKS, WHICH WOULD INEVITABLY AFFECT OUR RELATIONS WITH THE COUNTRIES INVOLVED.

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SUBJECT: FOREIGN PETROLEUM SUPPLY COMMITTEE MEETING POSTPONED

MESSAGES REFERRING TO INTERIOR CALLING TOGETHER THE FOREIGN PETROLEUM SUPPLY COMMITTEE AS EARLY AS JANUARY 18TH HAVE BEEN MODIFIED. INTERIOR'S OFFICE OF OIL AND GAS, AFTEF FURTHER CONSIDERATION, CONCLUDED THAT THE SITUATION IS SO UNCERTAIN AND SO TENUOUS THAT A MEETING THIS EARLY WOULD BE PREMATURE. HOWEVER, DEVELOPMENTS WILL BE WATCHED CLOSELY AND REVIEWED FOR ANY NECESSARY IMMEDIATE ACTION. OECD HAS CALLED A MEETING OF ITS HIGH LEVEL GROUP IN PARIS ON WEDNESDAY, JANUARY 20.
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